"6M25 broadly within expectations but 2H25 likely to moderate"

Share price performance

	1M	3M	12M
Absolute (%)	6.6	13.6	42.0
Rel KLCI (%)	2.0	10.2	45.8

	BUY	HOLD	SELL
Consensus	8	6	2

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,312.0
Mkt cap (RMm)/(US$m)	7,675.4/1,817.2
Avg daily vol - 6mth (m)	5.9
52-wk range (RM)	3.26-6.27
Est free float	27.4%
Stock Beta	1.13
Net cash/(debt) (RMm)	1,239.8
ROE (2025E)	30.5%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	NA
FBM EMAS (Top 200) ESG Rank	NA

Key Shareholders

Sunway Berhad	64.6
EPF	4.3%
ASN	3.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway Construction (SCGB MK)

HOLD (maintain)
Up/Downside: +0%

Price Target: RM5.90
Previous Target (Rating): RM5.90 (HOLD)

Strong half; tender outcomes will define the year

- **Sunway Construction's (SunCon) core net profit surged 2.7x yoy to RM176.3m in 2Q25; we deem the results within expectations but we foresee earnings to moderate in 2H25 as the Yellowwood project approaches completion**
- **Despite YTD wins reaching 76% of our replenishment target, we take a conservative stance as the highly competitive Klang Valley hyperscaler tenders leave little margin for error**
- **We maintain our HOLD call, with an unchanged 12-month RNAV-based target price (TP) of RM5.90; however, we increase our 2025-2026E earnings forecasts by 1% as we bring forward progress billings**

Strong set of earnings but broadly within expectations

SunCon's 6M25 earnings surged 2.7x yoy to RM176.3m, making up 58–61% of consensus and our forecast. We regard this as broadly in line, given expectations of a softer 2H25 as the Yellowwood contract (c. 67% of this quarter's revenue) nears completion. Revenue climbed 129% yoy to c. RM2.9bn, driven by construction revenue (+146% yoy) as data centre billings accelerated, while EBIT margin expanded 0.7ppt yoy on the higher-margin profile of these jobs. On a quarterly basis, core earnings rose 2.5x yoy and 14% qoq off a high base. The Group declared a second interim dividend of 7.25 sen (above EPS of 6.47 sen), which we view as a positive surprise. Supported by a strong net cash position of RM1.2bn as at 30 June, management has guided for a 100% PATAMI payout for 2025.

Taking a conservative view on replenishment amid limited room for error

YTD, SunCon has secured c. RM3.8bn in contracts, achieving c. 76% of our RM5bn replenishment target and lifting its order book to c. RM6.7bn. Over 80% of its RM14.8bn active tender book comprises data centre jobs, with results for 3–4 tenders (c. RM1–1.5bn each) expected in 2H25. The anti-corruption agency clarified that SunCon is not under investigation, clearing concerns when a former employee was probed earlier. We remain cautiously optimistic of further order book replenishment, though competition remains intense for the massive Klang Valley DC tenders. We will review our assumptions if new contract wins are higher than our expectations.

Maintain HOLD, unchanged TP of RM5.90

Nevertheless, we raise our 2025-2026E earnings forecasts by 1% as we bring forward our progress billing assumptions slightly. We maintain our HOLD call, with unchanged TP of RM5.90 as we maintain our stance that valuations are fair at current levels. Our TP implies a 2026E PER of 22.3x, or slightly above +1SD over the 10-year mean. Up/downside risks to our call are stronger/weaker-than-expected order book replenishment and progress billings.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,671.2	3,521.7	5,270.8	5,709.0	5,740.8
EBITDA (RMm)	252.4	259.1	444.5	507.0	508.8
Pretax profit (RMm)	188.6	273.0	401.6	461.3	465.4
Net profit (RMm)	145.1	186.9	295.1	340.5	343.6
EPS (sen)	11.3	14.5	22.9	26.4	26.6
PER (x)	52.0	40.4	25.6	22.2	22.0
Core net profit (RMm)	152.2	166.5	295.1	340.5	343.6
Core EPS (sen)	11.8	12.9	22.9	26.4	26.6
Core EPS growth (%)	5.9	9.4	77.2	15.4	0.9
Core PER (x)	49.6	45.3	25.6	22.2	22.0
Net DPS (sen)	6.0	8.0	22.0	23.0	23.0
Dividend Yield (%)	1.0	1.4	3.8	3.9	3.9
EV/EBITDA	31.5	28.6	17.2	14.8	15.2
Chg in EPS (%)			+1.4	+1.2	-
Affin/Consensus (x)			1.0	1.0	0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comment
Revenue	**651.2**	**1,400.5**	**1,476.9**	**5.5**	**126.8**	**1,256.0**	**2,877.4**	**129.1**	6M25: Higher construction (+146% yoy) revenue as progress on DC projects accelerates, but lower pre-cast concrete (-35% yoy) revenue
Op costs	(595.7)	(1,280.9)	(1,348.6)	5.3	126.4	(1,148.3)	(2,624.4)	128.6	
EBITDA	**55.5**	**119.6**	**128.3**	**7.3**	**130.9**	**107.8**	**253.0**	**134.8**	
EBITDA margin (%)	*8.5*	*8.5*	*8.7*	*0.1 ppt*	*0.2 ppt*	*8.6*	*8.8*	*0.2ppt*	
Depn and amort	(4.6)	(3.6)	(3.5)	(0.4)	(22.6)	(9.1)	(7.1)	(22.0)	
EBIT	**51.0**	**116.0**	**124.7**	**7.5**	**144.7**	**98.7**	**246.0**	**149.2**	
EBIT margin (%)	*7.8*	*8.3*	*8.4*	*0.2 ppt*	*0.6 ppt*	*7.9*	*8.5*	*0.7ppt*	
Interest income	15.3	14.3	18.0	26.0	17.2	20.1	32.2	60.6	Higher returns on cash in tandem with higher cash balance.
Interest expense	(17.8)	(12.9)	(12.8)	(0.8)	(28.2)	(34.0)	(25.7)	(24.5)	
Associates	0.0	2.3	2.9	23.6	n.m	0.0	0.0	n.m	
Forex gain (losses)	0.4	0.1	(0.3)	(372.1)	(183.9)	1.8	(0.2)	(110.3)	
Exceptional items	1.3	(6.6)	(9.9)	49.0	(851.4)	5.2	(16.5)	(417.4)	
Pretax profit	**50.2**	**113.2**	**122.6**	**8.3**	**144.2**	**91.9**	**235.8**	**156.7**	Higher PBT mainly due to higher revenue and high-margin DC jobs.
Tax	(12.4)	(27.5)	(28.4)	3.2	128.2	(21.4)	(55.9)	161.4	
Tax rate (%)	*24.8*	*24.8*	*23.7*	*(1.1 ppt)*	*(1.1 ppt)*	*23.3*	*23.7*	*0.4ppt*	
Minority interests	1.1	(10.0)	(10.3)	3.4	>100	0.8	(20.4)	>100	
Net profit	**38.9**	**75.7**	**83.9**	**10.8**	**115.8**	**71.3**	**159.6**	**123.9**	Broadly within expectations.
EPS (sen)	3.0	5.9	6.5	10.2	115.0	5.5	12.4	123.3	
Core net profit	**37.2**	**82.2**	**94.1**	**14.4**	**153.0**	**64.2**	**176.3**	**174.6**	Broadly within expectations. Exclude one-off items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Construction	597.6	1,369.9	1,433.5	4.6	139.9	1,141.2	2,803.4	145.7
Precast concrete	53.6	30.6	43.4	41.9	(19.0)	114.9	74.0	(35.5)
Total	**651.2**	**1,400.5**	**1,476.9**	**5.5**	**126.8**	**1,256.0**	**2,877.4**	**129.1**

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Construction	46.9	112.0	121.4	8.4	159.0	84.7	233.4	175.4
Precast concrete	3.3	1.2	1.2	(2.2)	(63.6)	7.1	2.5	(65.4)
Total	**50.2**	**113.2**	**122.6**	**8.3**	**144.2**	**91.9**	**235.8**	**156.7**

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	2Q24	1Q25	2Q25	QoQ ppt chg	YoY ppt chg	6M24	6M25	YoY ppt chg
Construction	7.8	8.2	8.5	0.3	0.6	7.4	8.3	0.9
Precast concrete	6.2	4.1	2.8	(1.3)	(3.4)	6.2	3.3	(2.9)
Total	**7.7**	**8.1**	**8.3**	**0.2**	**0.6**	**7.3**	**8.2**	**0.9**

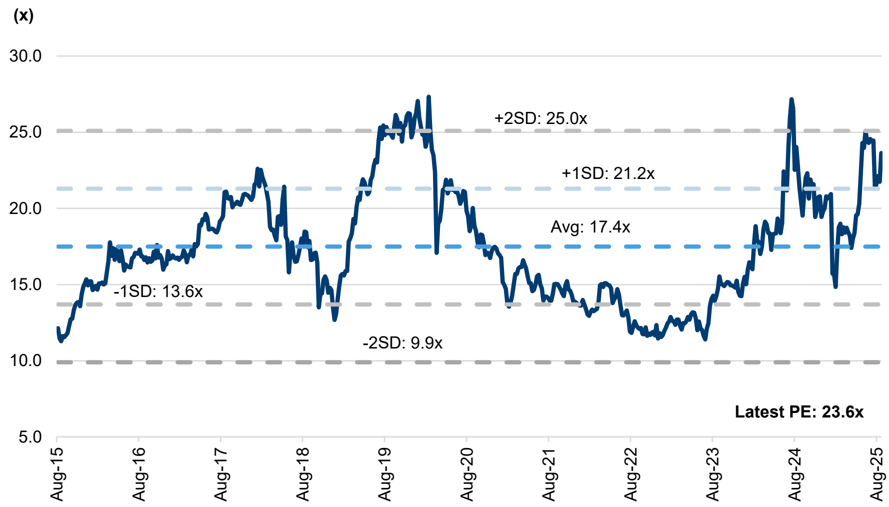
Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segments	Stake (%)	RNAV (RMm)
Construction @ PER 20x sustainable earnings of RM300m	100	6,000
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640
Investment in Singapore IPPH JV @ book value	50	47
Book value of Indian highways	60	101
Net cash/(debt)		835
RNAV		**7,623**
No. of shares (m)		1,290
RNAV/share (RM)		**5.90**
Target price		**5.90**

Source: Affin Hwang, Company

Fig 6: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 7: New contract wins YTD

PROJECTS (2025 NEW AWARDS)	CLIENT	COMPLETION DATE	CONTRACT SUM (RM'MIL)
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	167
BEDOK N8C14	LS CONSTRUCTION PTE LTD	DEC-26	73
K2 BUILDING 4	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	393
RTS TRANSIT ORIENTED DEVELOPMENT PROJECT (RTS TOD)	SUNWAY INTEGRATED PROPERTIES SDN BHD	NOV-27	1,500
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	50
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	31
SECURED IN 1Q 2025			2,214
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	71
GENERAL CONTRACTOR WORKS - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	579
GENERAL CONTRACTOR WORKS - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	576
K2 BUILDING 4 - VO	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	65
JURONG WEST N1C34	LIM WEN HENG CONSTRUCTION PTE LTD	JUN-28	25
KALLANG WHAMPOA C76	LS CONSTRUCTION PTE LTD	APR-28	39
LPS TERM CONTRACT BATCH 16	HOUSING AND DEVELOPMENT BOARD	JAN-28	87
SITE EARLY WORKS - SHELL 2 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	44
SITE EARLY WORKS - SHELL 2 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	45
PROJECT CJ	LIAN BENG CONSTRUCTION (1988) PTE LTD	AUG-27	61
SECURED IN 2Q 2025			1,592
TOTAL AS AT AUGUST 2025			3,806

Source: Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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